

Automotive News

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Big Three economists hot on '86

By Michelle Krebs
FINANCIAL EDITOR

Corporate economists for the Big Three automakers have upgraded their forecasts for 1986 vehicle sales as a result of a strong first half.

All three economists predicted that new-vehicle sales in 1986 will exceed 15 million. It would be only the third time sales have reached that level; the other years were 1977 and 1985.

General Motors and Ford Motor Co. predict that sales will total 15.5 million units this year — 10.9 million cars and 4.6 million trucks. Chrysler puts total vehicle sales at 15.3 million — 10.7 million cars and 4.6 million trucks.

In January, GM was the only company to predict vehicle sales would reach 15 million units. Car sales for the first half of 1986 ran at a 10.9-million annual rate and trucks at a 4.6-million rate.

"The year is turning out as we had expected," said GM economist David C. Munro. "Some of the surrounding risks, including the financial markets, have turned out better than anticipated."

Ford economist John V. Deaver said that even though the general

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HOW 1986 IS SHAPING UP			
	GENERAL MOTORS David C. Munro	FORD MOTOR CO. John V. Deaver	CHRYSLER CORP. Donald P. Hilly
Motor Vehicle Sales	15.5 million	15.5 million	15.3 million
Car Sales	10.9 million	10.9 million	10.7 million
Truck Sales	4.6 million	4.6 million	4.6 million
U.S. Economic Growth	3%	2.5 - 2.7%	2.3%
Inflation (Consumer Price Index)	4%	1.9%	2%
Interest Rates	Flat	Flat to Down	Drop in short term, increase by year-end
Unemployment Rate (Now until end of year)	Flat	Flat	Gradually increasing
U.S. Dollar	Flat or weakening somewhat	Some additional weakening	Flat, already depreciating more than expected
Consumer Attitudes	Remain strong	Remain strong	Strong but anxious about future

CHARLOTTE J. WINTER

GM plant is axed in zoning tiff

By Abe Plotkin
STAFF CORRESPONDENT

FRAMINGHAM, Mass. — General Motors has scratched its proposal to build a \$60 million plant here to make plastic body panels for its new minivan.

The company's decision followed an unexpected refusal by the town to rezone 14 acres of state-owned land for future employee parking and the town's insistence on a time-consuming study of environmental impact on traffic, air quality, water supply, sewerage and drainage. GM had planned to build the plant adjacent to its existing A-body assembly plant.

GM had insisted it needed a firm decision by this summer so that construction could start. It would have employed 1,000 to produce plastic panels for 200,000 minivans a year, starting with the 1989 model.

A Chevrolet-Pontiac-GM of Canada spokesperson said that building a contiguous plastic parts plant in Framingham "is a dead issue."

But the door has not been closed on the possibility that such a plant might be located nearby in Massachusetts or New Hampshire.

An aide to Gov. Michael Dukakis, who has strongly supported the Framingham proposal, said he has proposed alternative sites in southeastern and north-central Massachusetts — the latter a long-established center for small plastic component production.

GM is "reviewing the whole plan," the spokesperson said. "We're looking at all our options. A lot of spadework has been done and new decisions will have to be arrived at very quickly — in the next few weeks."

The existing Framingham plant assembles 736 Chevrolet Celebrity and Pontiac 6000 cars a day. An adjacent \$240 million automated paint facility is under construction.

John Judge, Dukakis' aide for Economic Development Affairs, said the refusal of Framingham — a booming town of 70,000 located 20 miles west of Boston — to welcome GM's plastic plant proposal "could not have happened anywhere else in the United States." He referred to extraordinary efforts by local officials and governors elsewhere to lure new automotive plants.

Judge conceded that Framingham residents still resented the action last year by Dukakis in helping GM obtain access to 35 acres of land for the new paint plant. There was local reluctance to move as fast as the automaker wanted, and the governor made a political end-run around Framingham by having the state seize the land by eminent domain.

GM settlement on transmissions clears hurdle

By Julie Whitmore
STAFF CORRESPONDENT

CHICAGO — Judge John A. Nordberg gave preliminary approval July 8 to a settlement that would resolve all remaining class-action suits against General Motors involving the THM-200 transmission.

The agreement, signed by the parties June 19, is nearly identical to the draft detailed by Automotive News June 9.

Attorneys said as many as 4 million 1976-1980 GM vehicles may be included in the class. GM will deposit \$17 million in escrow to cover repair costs incurred during the first 50,000 miles of use, and an additional \$2.5 million if more than the expected number of claimants appear.

The settlement includes several class actions pending since 1979, including Skelton, Newton, Fritz, et al v. General Motors, all filed in the Northern District of Illinois; Attard v. General Motors, New York State Supreme Court; Morgan v. GM, Southern District of

see SETTLE, page 54



Vintage auto show fills British Columbia Stadium with everything from 1903 Electric phaeton to late-'50s Caddys

Expo: A look forward, a look back

By Matt DeLorenzo
LOS ANGELES REPORTER

VANCOUVER, British Columbia — Seemingly lost among the high-tech gadgetry of space travel, aviation and super trains, the automobile last week became the focus of Expo 86, not with a look forward, but rather a look back.

Billed as the largest vintage car show under one roof, 500 vehicles were displayed at British Columbia Stadium adjacent to the Expo site, kicking off the fifth specialized period during the World's Fair here.

More than seven million people have visited the event since its opening May 2.

Expo 86's look at the auto's future started when the week-long innovative vehicle design competition got under way. Teams from 10 universities around the world are vying for a share of \$250,000 in scholarships for the best automotive design. There are four entries from Canada, three from the United States, two from Japan and one from Switzerland.

Aside from those events, autos figure prominently in many of the display pavilions set up by various countries. Perhaps the best for contrasts is Italy's, which has a Ferrari Mondial convertible parked across from an Etruscan-Roman chariot from the seventh century.

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GM faces a dealer revolution over cost of incentives

By Edward Lapham
MARKETING EDITOR

Dealer unrest over the General Motors incentive program is growing. Participation costs are the root of the dissatisfaction.

In fact, the dissension is so great that GM dealer groups in the Chicago market last week came very close to collectively rejecting participation in GM's current low-interest-rate program. They nearly told the factory to keep its 1987 co-op ad dollars to emphasize the point.

However, the revolt fizzled as the week wore on and tempers cooled.

"There is no question that dealers are unhappy," said a spokesman for Buick's Chicago Dealer Marketing Group. "But we ultimately left it so that dealers will do as they wish in each individual case."

He said he thought most of the 43 dealers in his group ultimately would decide to sign up for the program.

Earlier in the week, however, he was convinced that the group would "do what it had to do" and reject the program en masse.

Last Tuesday (July 8), a committee of the

Buick group voted to recommend the unprecedented actions of refusing, as a group, to participate in the program and to refuse to accept 1987 cooperative advertising funds from the factory. Those funds are spent along with dealer money to purchase regional advertising, largely on television.

Word spread quickly, reaching the local office of Buick's ad agency, McCann-Erickson, which also administers expenditure of the factory ad contributions for regional marketing.

It seemed likely that other dealer groups, notably Oldsmobile, would vote to do the same the next day.

If all of the groups had decided to follow the Buick group's lead, balking at the APR program, it would have meant that the entire Chicago market could have been without a GM sales incentive.

The Buick dealer group spokesman said that although he was certain the factory knew of the impending revolt, no one from Buick, General Motors Acceptance Corp. or McCann-Erickson exerted any pressure on the group.

Two days later, after the committee polled the membership, it was agreed to let each individual make his or her own decision on program participation.

The focus of GM dealer anger is the dealer participation cost, which requires a dealer to forfeit up to half of the 5 percent end-of-model-year carryover allowance and a portion of the finance income in order to use the special GMAC low annual percentage rate financing to attract car buyers.

The current GM program offers 30-month 5.9 APR financing on eight car lines and 6.9 APR financing on most others.

Dealers have been complaining about the participation costs since they were introduced, along with the APR incentives, last year.

In fact, the "unfairness" of the participation costs was a hot topic of conversation in GM make meetings last February at the National Automobile Dealers Association's convention in New Orleans. The protests have increased since.

Even NADA, which normally eschews individual manufacturer or line politics, issued

a statement to "object strongly to the manner in which GM has chosen to fund its latest incentive program."

The statement was issued on behalf of the GM line committee, GM members of the executive committee and the chairman of the industry relations committee.

However, GM officials late last week said they expected most dealers to sign up for the July 1-Sept. 24 program by the deadline last Friday (July 11).

"We think that virtually all dealers will sign up," said Robert H. Ogden, director of sales policies and dealer relations.

Ogden said he was aware that some dealers were not pleased with every aspect of the program.

"We hope those dealers will get in the program because we believe it's a good way to move cars," he said. "The public still likes the lower interest rates."

Ogden said he did not know specifically what percentage of GM dealers had participated in earlier programs, but he said most had. However, Ogden acknowledged he is watching this one more closely.

Ford and Chrysler extend incentives; Ford prices up

By Jenny L. King
DETROIT REPORTER

Ford Motor Co. and Chrysler Motors renewed and revised their consumer incentive programs last week, and Ford stapled a price increase to its package.

Chrysler continued to hold the line on prices while adding an extensive round of regional cash-back offers on most models to its record-low-interest-rate program. The Chrysler plan even extends to some early 1987 models.

Ford's low rates on Ford Motor Credit loans, or cash allowances up to \$600 per unit, went into effect July 6. The accompanying price increase averaged 2.9 percent on base cars and 3.4 percent on optional equipment.

The company would not put a dollar figure on the boost, but Automotive News estimates that it amounts to \$385 on the average-equipped car.

It was Ford's third boost on cars since the end of the 1985 model year. Those increases are estimated to have averaged \$760 per car. That compares with \$950 for General Motors and \$320 for Chrysler Motors on 1986 models.

Ford Motor Co. also announced a new round of consumer incentives effective July 6. Here's how the give-and-take works:

Price increases range from \$179 on the Ford Escort L three-door hatchback to \$939 on the Lincoln Continental Givenchy four-door sedan. New buyer incentives, which will run through September, feature 6.9 annual percentage rate on contracts up to 36 months on 10

nameplates ranging from Escort to Merkur XR4Ti, plus certain trucks.

The next rate, 7.9 percent for loans up to 48 months, extends to specific Ranger, Bronco II and F-series trucks. There are 8.9 percent loans up to 48 months on 10 nameplates, followed by 9.9 APR contracts up to five years on the 6.9 percent cars and trucks.

Alternative cash allowances on cars and trucks begin with \$300 on certain Mustang, Capri, Escort, Escort EXP, Lynx, Tempo and Topaz models and on Ranger and Bronco II trucks with automatic transmissions. Cash returns of \$600 can be had on manual-transmission F-series, Bronco II and Ranger trucks and Tempo and Topaz, plus all Thunderbird and Cougar models.

Chrysler, taking advantage of its later (July 10) program expiration, studied the GM and Ford plans and responded with the lowest interest rate available from any of the Big Three. And Chrysler sweetened it with additional regional rebates and no price increase.

Running July 11 through Sept. 6, the company will offer financing beginning at a 5.5 annual percentage rate on selected 1985-87 cars and trucks or cash certificates which could total \$1,500, Chrysler said. Excluded are minivans, Omnis/Horizon Americas and Conquest and Colt Vista imports.

Chrysler Credit 5.5 APR loans, up to 36 months, apply to models ranging from Chrysler LeBaron GTS and Dodge Lancer to Dodge/Plymouth Colts, plus certain Dodge vans, wagons, pickups and Ramchargers.

Loans up to 48 months at 7.5 APR are offered on an extensive list of cars and Dodge trucks, and 60-month loans at 9.5 APR are available.

Cash-back plans include \$400 on Plymouth Turismo and Dodge Charger, \$500 on a wider range of car models and up to \$750 on trucks and Ramchargers. The rebate is \$1,500 on top-line LeBaron GTS and Lancer models.

Fleet and lease vehicles are not eligible. The program runs through Sept. 6.

Regional \$400 cash "additives" are available in some states on Fifth Avenue, New Yorker, Ram Van wagons, RamCharger and Ram pickup models. To be eligible, the vehicles must be registered in their qualifying states.



Rouge River cleanup

Ford workers use log to pry tree from mud beside the Rouge River during Rouge Rescue '86, sponsored in part by Ford Motor Co. Ford workers at the Detroit's Renaissance Center were given the day off to help clean up the river, then picnic. Ford Division donated \$50,000 to the fund. Ford's first such effort was last year's cleanup of Detroit's Belle Isle park; similar programs are being sponsored by Ford in Chicago and Kansas City, Mo.

Chrysler service contract covers other lines

By Arthur Flax
SERVICE EDITOR

Chrysler Motors has expanded its service contract program to include new and used vehicles built by other manufacturers and those purchased from private parties.

Chrysler's "New Direction" service contract program can be purchased for new and used vehicles produced by 22 manufacturers.

Chrysler is offering three-year/36,000-mile service-contract coverage for used vehicles with as many as 50,000 miles, up from a two-year/24,000-mile maximum. The

plan is available to persons who have purchased automobiles from sources other than dealers.

The new contract provides the same coverage as Chrysler's existing two-year/24,000-mile service plan and includes seals, gaskets and turbocharger components.

Also new is a "high-tech" equipment package that can be customized to cover components that are not included in Chrysler's service plans. Those components include such items as electronic instrument clusters, power windows and trip computers.

GM and Iowa in court on incentives

DES MOINES, Iowa — A legal battle in federal district court here between General Motors and the Iowa Automobile Dealers Association may turn out to be more of a tempest in a teapot than a protracted war.

The dispute involves GM's initial refusal to offer its latest round of retail incentives in the state.

The legal maneuvering began when GM, after reviewing Iowa's law barring incentives to rental companies and large independent (non-dealer) leasing companies, decided it might be in violation of the law, which went into effect July 1.

The IADA went into state court and obtained an injunction to force GM to offer the incentives, which include low financing rates.

GM went to federal court to have that injunction dismissed. But almost concurrently, according to a GM spokesman, the company received a letter from Iowa Attorney General Thomas Miller advising GM that it would not be in violation.

Armed with that opinion, GM decided to go ahead and offer the incentives in Iowa.

Both parties are still in court. For GM, the spokesman said, it is a procedural matter. The company wants the injunction officially removed from the record.

But for IADA, there may be more at stake. Martha Martell, a spokeswoman for the dealer association, said the' in a counter move, IADA is asking for a permanent federal injunction as well as a declaratory judgment from the court interpreting the law.

Martell said even if IADA loses the injunction battle, it would gain if the court issues a judgment interpreting the law.

The National Automobile Dealers Association is supporting IADA. In a statement issued before GM changed its decision, NADA Executive Vice President Frank E. McCarthy said the national association was disturbed and had asked GM to implement the program in Iowa.

A spokesman for Ford Motor Co. said last week that while the company was initially concerned, it, too, has received a letter from the attorney general and will offer its programs in Iowa.

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TRUCK INDUSTRY

Light-duty segment leads the way as trucks wipe out sales records

Paced by the light-duty segment, retail sales of trucks set records for June and the first half.

Through June, 2,393,762 trucks of all types were sold, up 0.6 percent from 2,378,680 in 1985, the previous first-half peak.

In June, retail outlets sold 424,930 trucks of all types, 3.3 percent above the former record of 411,377 in 1978. In June last year, 407,602 trucks were sold.

Light-truck sales set a six-month and June record.

In the first six months of this year, 2,262,500 light-duty Class 1-3 trucks were sold, up 1.9 percent from the former record of 2,235,805 retailed through June a year earlier.

In June, 400,599 light trucks were retailed, 4.6 percent above the previous record of 383,032 set in June 1985.

Medium-duty Class 4-6 sales of 23,275 units through June were down 4.1 percent from 24,273 a year earlier.

In Class 5, first-half sales totaled 2,281, up 1.9 percent from 2,238 a year earlier.

In Class 6, the first-half total of 20,994 dipped 4.7 percent from 22,035 last year.

There were no Class 4 sales recorded.

Heavy-duty Class 7-8 sales of 107,987 units represented a 9.0-percent loss from the 118,602 units sold in the first half of 1985.

In Class 7, 51,108 sales in the first half of 1986 compared with 48,295 sales a year earlier, an increase of 6.0 percent.

In Class 8, 56,879 sales through June represented a 19.2-percent loss from the year-earlier figure of 70,397.

In June, sales of medium-duty trucks totaled 4,575, which was 7.0 percent above the 4,277 sold last year.

Class 5 sales of 730 were off 13.1 percent from the year-earlier mark of 840.

Class 6 sales of 3,845 units were up 11.9 percent.

There were no Class 4 sales recorded.

Sales of heavy-duty trucks in June totaled 19,756, down 2.7 percent from 20,293 sales in June 1985.

Class 7 sales of 9,207 units were up 18.0 percent over the 7,804 units retailed the previous June.

In Class 8, 10,549 trucks were retailed, down 15.5 percent from the 12,489 trucks retailed in the previous June.

In the light-duty segment Ford, Jeep and the imports were running ahead of last year's pace at the half-year mark.

Ford sales of 650,726 were up 3.4 percent and Jeep sales of 92,997 were up 19.6 percent.

Import sales of 442,549 were up 12.4 percent.

Showing declines were Chrysler, Chevrolet and GMC.

Chrysler sales of 286,166 were down 13.6 percent.

Chevrolet sales of 634,639 units were 2.1 percent below last year's total.

GMC sales of 155,423 were down 0.4 percent.

The sales counts are based on manufacturer's reports for light-duty sales and MVMA preliminary reports of medium and heavy-duty deliveries.

MAJOR MANUFACTURERS BY SEGMENT

	June		Year-to-Date	
	1986	1985	1986	1985
Light-Duty	118,733	111,301	650,726	629,209
Medium-Duty	4,665	3,622	21,296	23,045
Heavy-Duty	1,482	1,460	6,827	7,934
Ford Total	124,880	116,383	678,849	646,188
Light-Duty	117,483	109,772	634,639	647,977
Medium-Duty	1,506	1,379	9,809	9,396
Chevrolet Total	118,989	111,151	644,448	657,373
Light-Duty	28,634	28,750	155,423	156,008
Medium-Duty	2,836	2,978	17,750	13,815
Heavy-Duty	707	979	3,763	5,788
GMC Total	32,177	32,707	176,936	175,611

LIGHT-DUTY JUNE, YEAR-TO-DATE SALES

	June		Year-to-Date	
	1986	1985	1986	1985
Vans	16,968	16,124	89,884	98,299
Aerostar	16,183	0	72,407	0
Club Wagon	2,442	3,368	14,361	18,570
Ranger	23,861	16,971	144,282	135,343
Bronco	4,253	5,064	23,992	26,081
Bronco II	8,388	8,051	45,328	53,533
Pickups	46,638	61,723	260,472	297,383
Ford	118,733	111,301	650,726	629,209
Vans	13,626	12,450	68,854	81,178
Sportvan	1,803	2,074	9,236	12,273
Astro	15,026	11,067	77,040	41,147
S-10	19,428	13,455	110,711	115,986
S-10 Blazer	14,887	11,541	80,999	91,232
El Camino	1,936	1,654	11,782	10,201
Blazer	3,830	4,031	21,008	22,360
Suburban	6,245	5,667	29,920	30,981
Pickups	40,702	47,833	225,089	242,619
Chevrolet	117,483	109,772	634,639	647,977
Vans	7,528	5,953	38,529	33,436
Ram Wagon	4,077	4,486	22,475	21,947
Voyager	10,265	11,351	59,331	57,528
Caravan	10,802	11,855	61,391	60,949
Mini Ram Van	1,607	2,182	8,176	13,249
Ram 50	5,593	5,102	37,362	37,011
Ramcharger	2,023	3,032	11,397	19,888
Dakota	159	0	159	0
Pickups	8,010	15,183	47,346	87,027
Chrysler	50,964	58,144	286,166	331,835
Vans	3,756	3,919	19,009	21,211
Safari	3,214	3,039	16,518	9,172
S-15	4,471	3,160	25,870	26,377
S-15 Jimmy	3,681	3,027	19,587	20,694
Jimmy	784	733	4,222	4,358
Caballero	248	252	1,463	1,281
Suburban	1,870	1,792	9,471	9,272
Pickups	10,082	12,426	56,467	59,659
P Model	427	402	2,229	3,984
W-4	101	0	587	0
GMC	28,634	28,750	155,423	156,008
CJ	3,050	3,046	17,164	18,524
Wagoner	830	1,046	5,069	6,356
Cherokee	8,580	8,702	47,985	45,273
Grand Wagoner	1,225	860	7,016	6,481
Comanche	2,368	0	14,562	0
J-10/J-20	166	196	1,201	1,128
Jeep	16,219	13,858	92,997	77,762
Toyota	24,659	21,743	179,601	154,392
Nissan	16,719	19,701	109,874	136,579
Mazda	14,962	10,701	74,592	53,332
Isuzu	7,192	6,126	41,735	36,423
Mitsubishi	2,008	1,944	16,198	13,088
Suzuki	3,926	0	20,549	0
Imports	69,466	60,215	442,549	393,814
Industry Total	400,599	383,032	2,262,500	2,235,805

*Nissan includes domestically-built units in Tennessee.

Bendix adds unit; Allied sells one

SAN FRANCISCO — Bendix Heavy Vehicle Systems acquired Fleet Tech, expanded its parts inventory and introduced several products at the International Trucking Show.

Separately, Allied Automotive sold its Prestolite Motor and Ignition Division operations to Prestolite Electric Inc.

PEI was formed by a group of investors headed by John M. Goode, its chairman and chief executive officer.

The newly acquired company, headquartered in Toledo, will be known as Prestolite Electric, Inc., and will continue to operate the facilities which formerly constituted PMID.

Meanwhile, Allied Automotive's Bendix acquired Fleet Tech Inc., one of the early developers of on-board driver management computer systems.

The acquisition will strengthen Bendix's position in truck electronics, according to Kurt J. Faxon, vice president, sales and marketing.

Introduced in 1981, Fleet Tech's system has been adopted as the

standard driver management system by one of the large oil companies and by several large private supermarket chains.

With the truck market becoming global, Bendix has begun stocking a full range of parts manufactured by sister companies in Allied Automotive Worldwide.

Many of those Allied parts have already begun showing up on trucks imported to the U.S. from Europe, South America and the Far East. Until now, aftermarket availability has been limited.

With \$2.6 billion in sales, 90 plants and 22 engineering centers in 11 countries, Bendix and Allied can provide technical support to developing world trucks and worldwide-sourced parts, according to Faxon.

To that end, Bendix has begun a program to identify all Allied Automotive products entering the U.S. on imported vehicles.

From there, as quickly as they become available, the parts are being placed in the extensive aftermarket distribution network operated by Bendix HVS throughout North America, Faxon said.

Bendix is marketing some new products.

It developed a new high-capacity air compressor for off-highway and special application vehicles, such as bulk haulers that unload by means of air-driven blowers.

Called the Tu-Flo 1400, the unit is rated at 31 CFM and uses four in-line cylinders.

Bendix also coupled its Tu-Flo 501 air compressor to its relatively new on/off compressor clutch to create a combination unit called Powermiser 501. It has up to twice the life potential of an unclutched compressor, according to Hopkins.

The Powermiser 501, first available on Detroit Diesel applications, is now available for Mack six-cylinder engines.

Bendix is marketing a new TorqueMaster fan clutch. The bearing rating in the new unit has been increased up to 23 times over the previous design, according to Hopkins.

Bendix also has begun selling a high-purge-capacity air dryer to meet the high-air-consumption duty-cycle demands of city buses.

GMC offering incentives on '87 Generals; October driveaway slated for Silverdome

PONTIAC — GMC Truck is offering incentives on its 1987 General heavy-duty model. The program will culminate in an October driveaway from the Pontiac Silverdome.

The incentives are part of a wholesale program that is designed to drum up dealer orders for General models and promote various kinds of equipment.

The Silver Aero General Driveaway Program includes incentives from GMC Truck and various original-equipment suppliers. They apply to dealer orders placed for Silver Aero General models from June 2 to Aug. 31.

The only basic ordering requirements are for the limited edition Silver Aero unit which includes the Rudkin-Wiley aerodynamic fairing package, a special two-tone gray and silver paint scheme with red striping and a chrome front bumper.

It is available with or without a Bentz 42-inch or 60-inch sleeper box.

GMC and supplier incentives range from monetary discounts to extended warranties and added special-value items.

The incentives are available to dealers on the GM air-ride suspension, Detroit Diesel Allison engines, Cummins engines, Caterpillar engines, Bentz sleepers, Schwitzer engine fan drive, Budd disc wheels, Goodyear tires, Michelin tires and any Fuller transmission.

They also take in the Eaton rear-axle combination, Reyco rear-axle suspensions, Neway rear-axle air suspensions, Sheppard power steering, Rudkin-Wiley fairings and a Fontaine Modification Center tractor package.

GMC's driveaway is scheduled for Oct. 16 at the Silverdome. It is open to all participating GMC Truck dealerships and company-owned GMC Truck Centers ordering a Silver Aero General.

Vehicles eligible for the driveaway are limited to orders received in June.



GMC's promotion centers on this 1987 Silver Aero General

SALES

Canadian car, truck sales decline for June

By Jenny L. King
DETROIT REPORTER

June sales of new cars in Canada by the major North American-based manufacturers fell 13.20 percent from their year-ago level.

Trucks failed to surpass the com-

parable 1985 total for the first time this year.

Car sales of 74,522 were down more than 11,000 units from 85,859 in June 1985.

Volvo, the only maker to report a year-to-year sales increase, was up 2.99 percent, to 757 from 735.

American Motors suffered the greatest loss, down 53.94 percent, to 1,028 from 2,232.

General Motors was off 4.89 percent, to 38,138 from 40,100. Ford dropped 18.10 percent, to 18,288 from 22,329. Chrysler plunged 20.29 percent, to 16,311 from 20,463.

GM earned 51.18 percent of the market, up from 46.70 percent in June 1985. Ford dipped to 24.54 percent from 26.01 percent. Chrysler retreated to 21.89 percent from 23.83 percent. American Motors' share dwindled to 1.38 percent from 2.60 percent, while Volvo grew to 1.01 percent from 0.86 percent.

First-half car sales of 422,713 missed the 1985 mark of 443,725 by 4.74 percent.

Truck sales numbered 32,973 in June, down 8.66 percent from 36,100 a year earlier.

First-half sales, including five months of increases, were up 9.16 percent, to 185,846 from 170,253.

GM truck sales in June fell 6.5 percent, to 13,997 from 14,980.

Ford reported sales of 11,407, down 5.04 percent from 12,013. Chrysler dropped 21.28 percent, to 6,445 from 8,187.

AMC Jeep continued above 1985 numbers with a 22.17-percent increase, to 1,124 from 920.

GM's share of the June truck market moved up to 42.45 percent from 41.49 percent. Ford gained a percentage point, claiming 34.59 percent compared with 33.28 percent a year earlier. Chrysler dropped to 19.55 percent from 22.68 percent, and AMC expanded to 3.41 percent from 2.55 percent.

Where auto market was, June, 1986

	Total Sales	Pct. of Total
SUBCOMPACT	136,701	13.65%
COMPACT	171,555	17.14%
INTERMEDIATE	272,503	27.22%
STANDARD	91,921	9.18%
LUXURY	63,518	6.34%
IMPORT	264,954	26.47%
TOTAL	1,001,152	100.00%

U.S. CAR SALES BY MARKETING UNITS

	June, 1986	June, 1985	6 Mos., 1986	6 Mos., 1985
Chevrolet	167,724	133,753	909,163	867,717
Ford	120,097	116,813	681,169	729,732
Oldsmobile	89,337	97,671	558,553	574,501
Pontiac	79,697	55,714	450,530	410,923
Buick	73,152	76,664	388,171	466,252
American Honda	49,566	47,555	306,439	286,350
Mercury	46,907	45,537	255,358	275,444
Dodge	47,733	36,964	248,263	253,574
Toyota	47,241	52,125	277,780	283,932
Nissan	52,248	57,232	263,682	258,580
Chrysler	30,077	35,615	175,331	188,895
Plymouth	40,698	25,761	208,452	201,737
VW/A	24,518	25,065	148,975	145,066
Cadillac	21,644	24,088	146,735	148,384
Subaru	13,657	14,554	92,975	78,499
Lincoln	13,580	12,472	77,639	79,429
Hyundai	15,131	0	52,396	0
Volvo	11,600	9,492	63,423	57,580
Mazda	14,665	16,175	103,506	86,350
BMW	8,624	7,821	46,007	42,351
Mercedes	6,101	7,476	44,209	43,899
AMC-Renault	5,978	9,519	37,250	66,681
Saab	5,120	4,224	23,980	20,300
Mitsubishi	3,992	5,023	23,763	21,891
Porsche	3,199	1,768	14,726	12,122
Jaguar	2,504	1,713	11,506	9,322
Isuzu	2,633	2,597	16,203	11,686
Yugo	2,014	0	11,840	0
Peugeot	1,028	1,275	6,538	7,536
Air France	650	361	2,866	2,488
Maserati	100	178	800	837
TOTAL	1,001,215	925,236	5,648,224	5,631,627

Chevrolet includes Sprint and Spectrum. Honda combines imports and domestics and Acura. Dodge includes Colt, Conquest, Vista. Plymouth includes Colt, Conquest, Vista. VW/A includes Audi Nissan includes Sentra built in the U.S. Mercury includes Merkur.

IMPORTED CAR SALES

	June, 1986	June, 1985	6 Mos., 1986	6 Mos., 1985
Acura	4,102	0	12,949	0
Air France	650	361	2,866	2,488
Audi	4,972	6,720	32,308	37,082
BMW	8,624	7,821	46,007	42,351
Chevrolet Spectrum	7,973	4,508	43,697	22,907
Chevrolet Sprint	6,289	1,911	35,717	8,623
Dodge Colt	3,194	2,802	23,418	14,629
Dodge Conquest	218	221	1,453	1,399
Dodge Vista	1,506	1,190	8,564	4,579
Honda	27,244	35,414	201,060	202,849
Hyundai	15,131	0	52,396	0
Isuzu	2,633	2,597	16,203	11,686
Jaguar	2,504	1,713	11,506	9,322
Maserati Biturbo	100	178	800	837
Mazda	14,665	16,175	103,506	86,350
Mercedes-Benz	6,101	7,476	44,209	43,899
Merkur	1,283	747	7,673	2,733
Mitsubishi	3,992	5,023	23,763	21,891
Nissan	52,031	53,473	238,312	251,293
Peugeot	1,028	1,275	6,538	7,536
Plymouth Colt	2,876	2,658	21,469	13,919
Plymouth Conquest	219	232	1,357	1,351
Plymouth Vista	1,443	1,190	8,130	4,529
Porsche	3,199	1,768	14,726	12,122
Renault	252	453	2,044	4,251
Saab	5,120	4,224	23,980	20,300
Subaru	13,657	14,554	92,975	78,499
Toyota	47,241	52,125	277,780	283,932
Volkswagen	13,093	12,260	77,576	68,033
Volvo	11,600	9,492	63,423	57,580
Yugo	2,014	0	11,840	0
TOTAL	264,954	248,561	1,508,245	1,316,960

DOMESTIC CAR SALES

	June 21 to June 30, 1986	Same Period, 1985	June 1986	Same Month, 1985	June 30, 1986	Same Period, 1985
Alliance	0	0	4,218	4,812	24,964	34,319
Encore	0	0	887	3,606	6,311	22,505
Total Renault	0	0	5,105	8,418	31,275	56,824
Eagle	0	0	558	648	3,931	5,606
Total AMC	0	0	558	648	3,931	5,606
AMERICAN MOTORS	2,656	4,056	5,726	9,066	35,206	62,430
Horizon	5,720	1,408	13,452	4,822	54,135	49,253
Sundance	77	0	77	0	77	0
Turismo	1,400	1,140	3,772	3,574	22,192	31,295
Reliant	5,013	2,638	13,209	8,511	71,736	70,788
Caravelle	1,324	836	3,987	2,965	20,870	19,288
Plymouth	649	573	1,663	1,827	8,482	11,332
Total Plymouth	14,183	6,585	36,160	21,699	177,492	181,956
Laser	1,066	1,258	2,697	3,753	15,223	29,665
LeBaron K	3,678	2,074	9,234	6,991	52,599	46,394
LeBaron GTS	1,687	2,654	4,000	8,297	32,318	32,890
Cordoba	0	0	0	0	0	0
Fifth Avenue	3,951	5,753	9,761	12,262	48,491	51,945
E-Class	0	0	0	0	0	18,318
New Yorker	1,765	1,268	4,385	4,292	26,700	9,386
Total Chrysler	12,147	13,007	30,077	35,615	175,331	180,598
Omni	3,444	1,176	9,780	4,018	46,040	41,485
Shadow	159	0	159	0	159	0
Charger	1,610	1,135	4,184	3,624	24,029	33,628
Daytona	1,530	1,310	4,010	3,718	20,318	27,839
Aries	3,729	2,543	10,719	7,703	51,267	57,444
Lancer	1,328	1,900	3,165	5,910	23,821	23,199
Dodge 400-600	0	0	0	0	0	3,012
Diplomat	1,221	982	3,238	3,385	15,258	20,015
Mirada	0	0	0	0	0	0
Dodge 600	2,625	1,318	7,560	4,393	33,876	26,345
Total Dodge	15,646	10,364	42,815	32,751	214,828	232,967
CHRYSLER CORP.	41,976	29,966	109,052	90,065	567,651	603,521

EXP	0	425	0	1,378	0	14,430
Escort	13,532	11,133	34,977	34,659	198,916	201,632
Mustang	6,064	4,895	16,153	15,159	91,047	84,981
Tempo	8,112	5,840	20,660	17,689	128,057	157,339
Taurus	9,307	0	23,389	0	102,547	0
Thunderbird	4,399	4,462	11,337	14,193	72,710	82,243
LTD	637	4,869	1,662	19,050	20,517	105,373
Crown Victoria	4,563	5,319	11,909	14,685	67,375	83,734
Total Ford Division	46,614	36,943	120,097	116,813	681,169	729,732
Lynx	1,815	2,212	5,047	7,306	33,188	41,064
Topaz	2,145	1,840	6,004	5,459	33,208	43,417
Sable	3,559	0	9,984	0	46,933	0
Cougar XR-7	5,047	3,994	12,018	11,221	61,208	57,371
Capri	450	443	1,161	1,183	6,453	7,947
Marquis	206	2,790	631	7,952	8,795	48,696
Grand Marquis	4,226	4,500	10,779	11,669	57,900	68,396
Total Mercury	17,448	15,779	45,624	44,790	247,685	272,711
Continental	550	798	1,523	1,986	9,578	15,070
Lincoln	4,106	2,674	10,231	8,444	57,940	54,125
Mark VII	710	702	1,826	2,042	10,121	10,234
Total Lincoln	5,366	4,174	13,580	12,472	77,639	79,429
Total L-M Division	22,814	19,953	59,204	57,262	325,324	352,140
FORD MOTOR COMPANY	69,428	56,896	179,301	174,075	1,006,493	1,081,872

Skyhawk	2,499	2,596	7,942	7,804	35,207	49,090
Skyline	0	806	0	3,312	2,522	49,106
Somerset Regal	3,769	1,656	14,528	6,436	64,204	55,214
Century	6,467	6,817	20,731	22,468	121,008	115,607
Regal	2,371	3,254	7,608	10,694	42,631	55,646
LeSabre	4,252	3,878	12,301	13,287	52,585	77,161
Electra	2,936	2,608	8,781	7,268	61,794	37,002
Riviera	392	1,661	1,261	5,395	8,220	27,426
Total Buick	22,686	23,270	73,152	76,664	368,171	466,252
Cimarron	792	504	2,024	1,623	11,246	11,553
Seville	276	722	825	2,401	7,707	16,638
Cadillac	6,746	5,214	17,593	15,369	117,570	85,672
Eldorado	450	1,454	1,202	4,695	10,212	34,521
Total Cadillac	8,264	7,894	21,644	24,088	146,735	148,384
Chevette	1,561	3,068	5,424	10,184	37,955	64,127
Nova	5,125	1,249	14,776	3,195	74,886	3,196
Cavalier	13,430	9,050	39,070	25,611	207,243	232,584
Citation	28	770	82	2,604	979	34,090
Camaro	5,764	5,857	18,607	18,120	95,383	108,316
Celebrity	12,045	11,450	39,242	33,775	217,801	181,617
Monte Carlo	3,281	3,299	9,976	10,028	55,335	60,935
Corvette	7,700	7,034	22,868	20,748	121,587	130,991
Corvette	1,093	1,001	3,417	3,069	18,580	20,331
Total Chevrolet	50,027	42,778	153,462	127,334	829,749	836,187
Firenza	1,224	1,011	3,312	4,042	19,525	30,803
Calais	4,296	1,789	11,120	8,461	63,538	69,402
Cutlass Ciera	10,189	7,493	26,557	31,714	170,878	174,862
Cutlass Supreme	7,217	4,431	18,244	19,851	117,295	114,396
Olds 88	9,392	5,061	23,006	20,039	116,110	110,836
Olds 98	2,380	3,150	6,356	10,477	64,314	55,940
Toronado	277	799	742	3,087	6,893	18,262
Total Oldsmobile	34,975	23,734	89,337	97,671	568,553	574,501
Fiero	2,181	2,332	6,825	6,295	37,203	52,733
1000	436	427	1,526	1,753	10,294	11,913
Sunbird	3,672	2,382	12,903	6,332	60,424	63,332
Phoenix	0	0	0	0	0	896
Firebird	2,939	3,278	10,589	9,003	53,177	56,624
Grand Am	5,068	1,586	17,871	6,644	109,175	56,154
6000	4,769	5,417	17,514	12,680	92,108	79,193
Bonneville	1,126	1,494	3,522	3,915	22,723	27,608
Grand Prix	1,249	1,519	3,390	4,186	22,035	29,085
Pontiac	1,837	1,752	6,157	4,706	43,391	33,384
Total Pontiac	23,277	20,187	79,799	55,714	450,530	410,923
GENERAL MOTORS	139,229	117,863	417,952	381,471	2,373,738	2,436,247

AUCTION DATES

American Motors

July 15 — Aptco Auto Auction, Taylor, Mich., and D-A Auto Auction, New Stanton, Pa.

July 16 — Kansas City Auto Auction, Kansas City, Mo., and Metro Milwaukee Auto Auction, Caledonia, Wis.

July 17 — Northway Exchange, Clifton Park, N.J.; Evansville Auto Auction, Evansville, Ind.; and Todd Auto Auction, Telford, Pa.

July 22 — High Point Auto Auction, High Point, N.C.

Chrysler Corp.

July 15 — Dallas Auto Auction, Grand Prairie, Tex. (a special sale); NuCarPrep System, Santa Fe Springs, Calif.; and Florida Auto Auction of Orlando, Ocoee, Fla. (Orlando special anniversary sale)

July 16 — Southern Auto Auction, Warehouse Point, Conn.; Columbus Fair Auto Auction, Obetz, Ohio; and South Seattle Auto Auction, Kent, Wash.

July 17 — Fredericksburg Auto Auction, Fredericksburg, Va.

July 18 — Floyd Hauhe Auto Auction, Bridgeton, Mo.

July 22 — Hatfield Auto Auction, Hatfield, Pa.; Aptco Auto Auction, Taylor, Mich.; Metro Auto Auction of Kansas City, Lee's Summit, Mo.; and Golden Gate's Special 5th Ave. Sale, Fremont, Calif.

General Motors

July 15 — Denver Auto Auction, Englewood, Colo.; Florida Auto Auction of Orlando, Ocoee, Fla.; and 166 Auto Auction, Springfield, Mo.

July 16 — Brasher's Southern California Auto Auction, Fontana, Calif.; Indianapolis Auto Auction, Indianapolis; and Minneapolis Northstar Auto Auction, Shakopee, Minn.

July 17 — Nashville Auto Auction, Nashville, Tenn.

July 22 — Southern Auto Auction, E. Windsor, Conn., and South Seattle Auto Auction, Kent, Wash.

Ford Motor Co.

July 16 — Concord Auto Auction, Acton, Mass.

July 17 — Atlanta Auto Auction, Red Oak, Ga.; Arena Auto Auction, Chicago; and Dallas Auto Auction, Dallas

July 23 — Lakeland Auto Auction, Lakeland, Fla., and Brasher's Southern California Auto Auction, Fontana, Calif.

South Carolina auction marks 48th anniversary

LEESVILLE, S.C. — Rawls Auto Auction here celebrated its 48th anniversary with the largest sale in its history.

The auction, which advertises itself as the oldest in the nation, is owned and operated by James E. Rawls. His father, the late J.M. Rawls, and S.L. Montgomery, now retired, were partners when the auction opened in 1938.

Used Car Sales

Auction Averages

July to date	\$5,157
Month ago	\$5,172
Year ago	\$4,891

Model Breakdown

Auction Averages

	JUL 1986	JUN 1986	MAY 1986
1986	\$12,171	\$12,183	\$11,292
1985	\$8,509	\$8,558	\$8,650
1984	\$6,309	\$6,342	\$6,384
1983	\$5,505	\$5,530	\$5,516
1982	\$4,338	\$4,363	\$4,361
1981	\$3,393	\$3,422	\$3,423
1980	\$2,534	\$2,561	\$2,560
1979	\$2,153	\$2,172	\$2,195
Overall Average	\$5,157	\$5,194	\$5,143

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Steed, Blanchard at AN Congress

The 11th annual Automotive News World Congress will be in session July 27-30 at the Hyatt Regency Dearborn.

Top-level executives from the auto industry, related fields and government will give presentations at the four-day seminar.

Among the 36 speakers will be: NHTSA Administrator Diane Steed; Michigan Gov. James J. Blanchard; Carr Lane Quackenbush, technical director — Norton/TRW Ceramics; and Osamu Nobuto, president, Mazda Motor Manufacturing (U.S.A.) Corp.

Steed will speak on Monday, July 28, on "What's Ahead in Government Safety Regulations."

She became head of NHTSA in 1983. Prior to that, she was deputy administrator of the safety agency.

During her career with the federal government, she has served in senior management positions with the Office of Management and Budget and has been chief of the Regulatory Policy Division of OMB.

Blanchard will speak on Tuesday, July 29, on "Marketing a Mature State to High Tech Manufacturers."

He became governor of Michigan on Jan. 1, 1983, after a public service career that began in 1968 when he was a legal advisor in the Michigan secretary of state's office.

From 1969 to 1974, he was an assistant attorney general for Michigan. He was elected to Congress in 1974 and served for four terms, representing several Detroit suburbs.

He was chairman of the House Subcommittee on Economic Stabilization and authored the Chrysler Loan Guarantee Act. He also served on the House Banking, Finance and Urban Affairs Committee and the House Science and Technology Committee. He was also the Democratic Whip for the Michigan congressional delegation.

Blanchard also served as a member of the President's Commission on the Holocaust.

Quackenbush will also speak on Tuesday, July 29. His topic will be "Ceramics Development for Automotive Use."

He was named to his present position shortly after the formation of the Norton/TRW Ceramics partnership in October 1985.

He began his career as an assistant professor at the University of Erlangen-Nurnberg, Erlangen, Germany. He then joined GTE Corp. and served in technical management and product development posts.



Steed



Blanchard



Quackenbush



Nobuto

Quackenbush holds two basic materials patents in silicon nitride and has written extensively in the field of high-performance ceramics.

Nobuto will speak on Wednesday, July 30. His topic will be, "Flat Rock, Michigan: Mazda's Showcase Takes Shape."

The new firm, which he has headed since May 1985, will build and later operate Mazda's automobile facility in Flat Rock.

Nobuto continues as manager of the U.S. Plant Planning Office and a member of the board of directors of Mazda Motor Corp., Hiroshima, Japan.

He began his career with Mazda in 1959 as a chassis design engineer. He later served as manager of the Special Vehicle Design Department, project leader of small-car planning and development and manager of the Office of Rotary Engine Planning.

In 1977, he moved to the United States as general manager of

Mazda Technical Center, Inc., Irvine, Calif. He returned to Hiroshima in 1978 as manager of the Cost Control Division and in 1979 was named manager of the Office of International Business Development.

Registration for World Congress attendees is \$490, unchanged from last year.

If you register for the World Congress but have a change in plans, you may designate someone else to attend. For full cancellations, \$100 will be charged.

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Big 3 profits expected to dip 12 pct. for quarter

By Michelle Krebs
FINANCIAL EDITOR

The Big Three automakers will report combined profits of approximately \$2.2 billion in the second quarter.

The projection is based on an average of forecasts by automotive analysts. The manufacturers will begin announcing second quarter results the week of July 21.

The second-quarter estimate represents a 12 percent decline from the \$2.5 billion earned by the Big Three in the second quarter of 1985. The record for the quarter was \$3.3 billion, earned in the 1984 second quarter.

The Big Three had profits of \$2.1 billion in the first quarter. The second-quarter figures would bring combined first-half profits to \$4.3 billion. That compares with \$4.8 billion in 1985 and the record \$6.5 billion in 1984.

For the year, the Big Three will earn approximately \$7.1 billion, analysts say. That compares to combined profits of \$9.0 billion in 1985 and a record \$9.8 billion in 1984.

General Motors will earn approximately \$954 million for the second quarter, based on an average of analysts' projections. The analysts' forecasts ranged from \$825 million to \$1.07 billion.

That would bring GM's first-half profits to just over \$2 billion. GM earned \$1.2 billion in the second quarter of 1985 and \$2.2 billion for the first half of 1985.

GM's best-ever second quarter and first half were in 1984, when it earned \$1.6 billion in the quarter and \$3.2 billion in the half.

Analysts said GM's earnings are the most difficult of the Big Three to project, in part because manufacturing costs are so volatile. Analysts continue to wait for GM's announced cost-control efforts to materialize in the bottom line.

Analyst Arvid Jouppi, Arvid Jouppi Associates Inc., points out that GM's profit margin is dwindling. He predicts GM's margin will drop to 3.9 percent versus 4.6 percent in last year's second quarter.

"GM, for the first time, is willing to sacrifice its most prized possession in order to prepare for the future by spending for the 1990s and to hold market share," Jouppi said.

For the year, GM is expected to report profits of about \$3.2 billion. The estimates range from \$2.9 billion to \$3.4 billion.

GM earned \$4.0 billion in 1985 and a record \$4.5 billion in 1984.

Meanwhile, Ford has a shot at setting a new second-quarter profit record this year.

Ford, based on the average of analysts' predictions, will earn about \$918 million in the quarter. The analysts' forecasts ranged from \$810 million to \$1.1 billion for the quarter. Ford earned \$699 million in the year-ago second quarter.

Record quarterly earnings would give Ford first-half earnings of \$1.6 billion compared with \$1.5 billion in the first half of 1985.

Ford's best-ever second quarter and first half were in 1984. It had profits of \$909 million for the 1984 quarter and \$1.8 billion for the half.

Much of Ford's anticipated strong performance will come from overseas, particularly Europe, analysts say.

Analyst Jean-Claude Gruet, Salomon Brothers Inc., expects Ford's overseas sales in the second quarter to be up 18 percent from 1985.

Most analysts have upgraded their forecasts of Ford earnings for the quarter and the year.

Gary Glaser, First Boston Corp., estimates Ford's production will be up 2 percent in the second half of 1986. Earnings could be up 10 percent in the third quarter.

Jouppi noted that Ford's profit margins are improving at 5.4 percent for the second quarter compared with 5.1 percent in the year-ago quarter.

For the year, Ford is expected to earn about \$2.7 billion. Forecasts range from \$2.4 billion to \$3.0 billion.

Ford had profits of \$2.5 billion in 1985 and a record \$2.9 billion in 1984.

Chrysler will earn approximately \$325 million in the second quarter. The analysts'

forecasts ranged from \$300 million to \$345 million.

Chrysler earned \$357 million in the first quarter, which would put the automaker's first-half earnings at \$682 million.

Chrysler earned \$596 million in the second quarter a year ago and \$1.1 billion for the first half.

Chrysler's best-ever second quarter and first half were in 1984, when second-quarter earnings hit \$804 million and first-half profits totaled \$1.5 billion. However, Chrysler was not paying taxes at that time.

Analysts also find Chrysler's earnings difficult to project because of the unknown costs relating to upcoming new models and the effect of closed plants.

For the year, Chrysler will earn approximately \$1.2 billion. The forecast ranges from \$1.0 billion to \$1.3 billion.

Chrysler had profits of \$2.5 billion in 1985 and \$2.4 billion in 1984, but the automaker paid no taxes in 1984 and for only part of 1985.

American Motors is expected to lose between \$16 million and \$20 million in the second quarter. That compares to a loss of \$70 million in the same quarter a year ago.

The second-quarter loss will bring AMC's losses for the first half to between \$35 million and \$40 million, better than the loss of \$99 million in the year-ago half.

UPGRADE

FROM PAGE 1

economy was weaker than predicted in the first half, car sales benefited from declining interest rates and aggressive financing incentives along with lower gas prices.

Chrysler economist Donald P. Hilty said he upgraded his forecast because financing incentives have been more aggressive than expected.

"The economy is where we targeted," Hilty said. "The incentives are more than we anticipated, brought on by aggressive production programs, which have led to high inventories."

The economists see many of the factors that made the first half a strong one for the automotive industry remaining in effect for the second half of the year.

Consumer sentiment will continue to be strong, the economists said. The consumer's balance sheet is stronger because of a bullish stock market and lower interest rates. In addition, consumers appear willing to buy and take on more debt.

The economists predict interest rates will remain flat throughout the year. Inflation will stay in check and, as measured by the Consumer Price Index, it may turn out to be lower than they predicted earlier this year.

Unemployment will remain fairly flat or will gradually increase, they said, and the U.S. dollar could depreciate somewhat further against foreign currencies.

Yet, overall economic growth will be sluggish. As measured by the Gross National Product, growth will be no more than 3 percent, according to the economists.

As for next year, the economists see nothing to indicate that 1987 won't be more of the same.

Munro predicts a slow, steadily growing economy for 1987 with an introduction similar to 1986's. Hilty sees more evidence of a correction in the economy, but a modest correction.

Deaver predicts greater economic growth in 1987. However, he anticipates vehicle sales will be lower than in 1986 as a slower economy catches up to the automotive business. In addition, mar-

keting incentives may outlive their usefulness by 1987.

At the same time, some worrisome signs dot the economic landscape, the economists say.

Chrysler's Hilty points out that basic economic indicators — inflation, interest rates, gas prices and the U.S. dollar — are positive. The negative signs — rising unemployment and a shorter work week — suggest the business cycle is topping out. The present economic recovery is 53 months old. The longest post-war recovery was 57 months, around 1960.

"We're paying attention to the turning point," he said.

GM's Munro said previously worrisome spots have turned out better than expected. Though some of the weak signs still exist, he doesn't see any snowballing effect.

Munro said a developing pattern — for example, four to six months of increased inflation — could pose a risk. "That would take a six-month gestation period, but we see no sign of it yet," he said.

"The one risk being watched now is the financial markets possibly getting cold feet," Munro said. However, he pointed out that the financial market risk is offset by a stronger base. When Munro made his economic forecast in January, the Dow Jones industrial average was at 1,600. Today it is over 1,800.

Federal budget deficits and trade deficits continue to be a concern to economists.

Hilty said the twin deficits may cause some problems next year. Munro said he would be more concerned if there were indications that Washington was giving up the deficit struggle, which doesn't appear to be the case.

Deaver said the trade deficit in particular has been worse than anticipated and it may take a year or two more for the shift in the currency markets to have an effect.

In addition, Deaver said the proposed tax reform already has dampened corporate investment because of the expected elimination of the investment tax credit. Tax reform, likely to become law, will seriously depress investment in 1987, he said.

Ford finalizes Kia buy-in

By Dave Zola
DETROIT REPORTER

DEARBORN, Mich. — Ford Motor Co.'s \$30 million purchase last week of 10 percent equity in South Korean partner Kia Motors Corp. marked a small breakthrough for Ford.

The purchase — approved two weeks ago by Kia shareholders — makes Ford one of Kia's largest shareholders. It represents the first time Ford has purchased a minority interest in a South Korean auto firm.

"Not too many years ago, Ford would invest in other companies only if it could acquire either 100 percent control or at least a majority interest," said Donald E. Petersen, Ford chairman. "Today, powerful winds of change are challenging companies such as Ford to modify such outdated business attitudes."

"As a result, minority equity positions, joint ventures and more inter-company programs have become signs of the times and of new and necessary business relationships."

Other top shareholders in Kia include Seoul Bank and Trust, 15 percent; Mazda Motor Corp., 8 percent; and C. Itoh & Co., 2 percent.

The equity purchase was seen as solidifying the Ford-Kia-Mazda long-term relationship, which includes plans for Kia to supply Ford with a Mazda-designed small car for sale in the United States.

Kia said it would use the \$30 million from the stock sale for research and development and to complete the final investment phase for production of the car for Ford.

The vehicle, called Festiva, is a hatchback smaller than the Ford Escort. The car, equipped with a 1.1-liter or 1.3-liter engine, already is being produced by Mazda for sale by Ford in Japan.

Kia expects to build 120,000 to 150,000 Festiva models annually. The cars will be sold in Korea as well as in the United States.

Petersen said U.S. sales of the Festiva would range from 50,000 to 75,000 annually. The car will be marketed only by Ford Division and will be targeted at entry-level buyers, he said.

The Festiva is expected to go on sale in mid-1987 as a 1988 model, Petersen said.

The equity purchase gives Ford one seat on Kia's 25-member board of directors.

The Kia deal is only one of many international joint ventures Ford is looking at, including a possible link with Alfa Romeo in Europe and Volkswagen in South America, Petersen said.

"It is interesting to note that Ford is discussing potential cooperative ventures, large and small, with numerous companies around the world," he said. "Others you may hear about in the future."

Kia, which last year boasted a \$22 million profit on sales of \$550 million, said it does not expect to set up a U.S. dealer network of its own in the near future.



Flag raising at Ford World Headquarters by Kia President Kim Sun Hong; Ford Chairman Donald Petersen, left

INVENTORIES

Domestic stockpile cut

By Kathy Boyer
DETROIT REPORTER

Although June sales trailed the May total, inventories of new domestic cars dipped slightly on July 1 as model changeovers and vacations cut production.

The month opened with 1,859,576 cars in stock. A month earlier, the total was 1,866,853, and on July 1, 1985, the count was 1,576,762.

The July 1 inventory amounted to a 63-day supply, little changed from the 62-day figure on June 1. There was a 58-day supply of new domestic cars on hand on July 1, 1985.

American Motors, Chrysler Motors and American Honda reduced their days' supplies during June. Ford Motor Co. was unchanged, and there were slight increases for General Motors, Volkswagen and Nissan.

Companies shared the July 1 inventory as follows: GM, 59.96 percent; Ford, 21.21 percent; Chrysler, 15.63 percent; American Motors, 1.79 percent; Volkswagen, 1.14 percent; Honda, 0.26 percent; and Nissan, 0.01 percent.

On June 1, the split was: GM, 60.02 percent; Ford, 21.18 percent; Chrysler, 15.60 percent; American Motors, 1.76 percent; Volkswagen, 1.08 percent; Honda, 0.34 percent; and Nissan, 0.02 percent.

The shares by size class on July 1 were: Subcompact: 17.77 percent; compact, 20.82 percent; intermediate, 37.13 percent; standard, 13.52 percent; and luxury, 10.76 percent.

Import-car inventory rises

By Kathy Boyer
DETROIT REPORTER

The inventory of new imported cars on July 1 was the highest in 47 months.

The month opened with a stockpile of 400,106, the highest since Aug. 1, 1982, when 429,663 units were reported.

On June 1, the total had been 387,911. On July 1 a year ago the count was 310,221.

There was a 40-day supply of cars on July 1, the highest since March 1, 1983, when it was 41.

The import truck inventory of 193,608 on July 1, was the highest since Automotive News began breaking out car and truck totals in April 1982.

There was a 64-day supply of trucks on July 1, the highest since the 78-day supply on May 1, 1983.

On June 1, the figure was 51 and on July 1, 1985, it was 36.

The combined imported car and truck total of 593,714 on July 1, was the highest since the 600,632 reported on Aug. 1, 1982.

A month earlier, the total was 565,699 and a year earlier it was 404,926.

Days' supply of cars and trucks on July 1 was 46.

A month earlier it was 41 and a year earlier it was 32.

Car inventories on July 1 were split this way: Japan, 69.44 percent; Germany, 19.46 percent; and other countries, 11.10 percent.

Days' supply for imported cars by country of origin on July 1 were: Japan — Honda, 10; Toyota, 21; Mazda, 29; Subaru, 31; Acura, 33; Nissan, 38; Mitsubishi, 58; Chevrolet, 89; Chrysler, 102; and Isuzu, 112.

West Germany — Mercedes-Benz, 29; BMW, 30; Porsche, 39;

The month opened with a 60-day supply of subcompacts. Days' supplies by nameplates were: Accord, 7; Sentra, 19; Horizon, 23; Omni, 27; Escort, 49; Lynx, 71; Chevette, 81; Golf/GTI, 82; Nova, 91; Turismo, 94; Charger, 94; Fiero, 96; Daytona, 96; Pontiac 1000, 121; Alliance, 125; Shadow, 128; Laser, 148; Encore, 272; and Sundance, 325.

There was a 56-day supply of compacts: Cavalier, 43; Mustang, 45; Sunbird, 47; Reliant, 48; Firebird, 51; Topaz, 53; Aries, 59; Camaro, 63; Tempo, 70; LeBaron, 73; Skyhawk, 79; Firenza, 82; Capri, 93; Cimarron, 98; and Eagle, 116.

The supply of intermediates was good for 63 days: Grand Am, 22; Sable, 34; Somerset Regal, 42; Taurus, 44; LTD, 47; Marquis, 52; Caravelle, 52; Cougar, 56; Celebrity, 56; Calais, 56; Dodge 600, 60; Cutlass Supreme, 64; Cutlass Ciera, 68; Citation, 76; Bonneville, 79; Pontiac 6000, 79; Century, 80; Monte Carlo, 81; Thunderbird, 88; Regal, 92; Grand Prix, 94; New Yorker, 106; LeBaron GTS, 139; and Lancer, 144.

The 68-day supply of standards was split this way: Grand Marquis, 51; Diplomat, 56; Crown Victoria, 57; Plymouth, 59; Parisienne, 59; Chevrolet, 59; LeSabre, 66; and Oldsmobile 88, 98.

The luxury-car supply was 79 days: Lincoln, 57; Corvette, 61; Oldsmobile 98, 66; Mark VII, 70; Continental, 71; Fifth Avenue, 77; Electra, 77; Cadillac, 77; Eldorado, 164; Riviera, 187; Toronado, 198; and Seville, 224.

IMPORT STOCKS

	July 1, 1986	June 1, 1986	July 1, 1985
Spectrum	111	123	88
Sprint	80	86	89
Chevrolet	89	96	83
Chrysler Corp.	102	101	42
Acura	33	28	0
Honda	10	0	7
Isuzu	112	237	71
Mazda	29	22	19
Mitsubishi	58	42	30
Nissan	38	40	27
Subaru	31	33	20
Toyota	21	10	13
JAPAN	37	32	22
Audi	100	99	70
BMW	30	37	85
Mercedes-Benz	29	19	46
Merkur	78	62	172
Porsche	39	63	63
VW	63	58	69
GERMANY	52	52	70
Alfa Romeo	31	32	28
Hyundai	0	0	0
Jaguar	26	25	25
Peugeot	80	76	82
Renault	263	245	276
Saab	39	51	37
Volvo	47	62	51
Yugo	66	58	0
OTHER COUNTRIES	48	57	53
TOTAL IMPORT CARS	40	37	31
Isuzu	93	199	75
Mazda	28	35	13
Mitsubishi	80	66	25
Nissan	98	66	39
Suzuki	9	14	0
Toyota	59	32	33
Chrysler	81	75	46
TOTAL IMPORT TRUCKS	64	51	36
TOTAL IMPORT VEHICLES	46	41	32

*Includes domestic trucks.

Volkswagen, 63; Merkur, 78; and Audi, 100.

Other countries — Jaguar, 26; Alfa Romeo, 31; Saab, 39; Volvo, 47; Yugo, 66; Peugeot, 80; and Renault, 263.

NEW CAR STOCKS

	July 1, 1986	June 1, 1986	July 1, 1985
Accord	139	137	114
Accura	273	300	102
Total Acura	139	137	114
Alfa Romeo	116	148	22
Total Alfa	116	148	22
AMERICAN MOTORS	145	167	113
Arizona	325	0	0
Autos	94	95	77
Bentley	46	52	88
Caravelle	32	84	78
Chrysler	39	44	34
Total Chrysler	46	50	88
Cougar	148	144	69
LeBaron R	73	70	94
LeBaron GTS	139	122	58
Corolla	0	0	0
Oldsmobile	77	76	51
Class	0	0	0
New Yorker	106	98	121
Total Chrysler	95	82	72
Olds	27	31	62
Shadow	128	0	0
Charger	94	94	79
Daytona	94	93	77
Aries	59	71	100
Lancer	144	152	69
Dodge 400-900	0	0	0
Diplomat	56	57	82
Marada	0	0	0
Dodge 600	89	72	91
Total Dodge	85	71	62
CHRYSLER CORP.	87	70	78
EXP	0	0	65
Escort	49	48	48
Mustang	45	45	36
Tempe	70	66	54
Taurus	44	41	3
Thunderbird	68	80	74
LTD	47	57	45
Crown Victoria	57	59	75
Total Ford	55	54	54
Lynx	71	64	62
Topaz	33	55	42
Sable	34	40	0
Cougar XR-7	58	62	62
Capri	93	80	85
Marquis	52	58	60
Grand Marquis	61	56	75
Total Mercury	52	56	65
Continental	71	67	75
Lincoln	57	59	61
Mark VII	70	72	49
Total Lincoln	80	61	91
Total L-M Division	54	57	64
FORD MOTOR	55	56	57
Steyak	79	133	50
Stylark	0	0	41
Somerset Regal	42	57	57
Century	80	79	37
Regal	92	98	57
LeSabre	86	61	39
Electra	77	79	69
Riviera	167	153	85
Total Buick	73	76	48
Cimarron	96	80	85
Seville	224	85	87
Cadillac	77	55	78
Eldorado	164	90	78
Total Cadillac	90	62	79
Chevette	81	73	61
Nova	91	94	72
Cavalier	43	53	55
Citation	76	69	104
Camaro	63	66	66
Celebrity	56	57	42
Malibu	0	0	0
Monte Carlo	81	79	60
Chevrolet	59	73	65
Corvette	61	61	69
Total Chevrolet	60	65	59
Firenza	82	84	64
Omega	0	0	0
Calais	56	55	53
Cutlass Ciera	68	50	31
Cutlass Supreme	64	50	39
Olds 88	96	69	46
Olds 98	66	48	61
Toronado	198	91	80
Total Oldsmobile	75	57	44
Fiero	96	94	74
1000	121	109	53
Sunbird	47	46	58
Phoenix	0	0	0
Firebird	51	49	51
Grand Am	22	18	25
6000	79	76	43
Bonneville	79	92	84
Grand Prix	94	109	97
Parisienne	53	80	85
Total Pontiac	59	57	59
GENERAL MOTORS	67	63	54
VOLKSWAGEN	22	70	64
HONDA	7	10	9
NISSAN	19	11	21
DOMESTIC TOTAL	63	62	58
Subcompact	80	61	80
Compact	56	62	63
Intermediate	63	60	52
Standard	98	86	91
Luxury	79	96	67

Fuji-Isuzu plant scouts slated to visit Missouri

By Jack Bernstein,
Francis J. Gawronski
and Kathy Boyer
AUTOMOTIVE NEWS STAFF

Representatives of Fuji Heavy Industries and Isuzu Motors are expected to visit Missouri this week to confer with Gov. John Ashcroft and look over several plant sites.

A site in St. Charles County, west of St. Louis, and two cities in southwest Missouri, Springfield and Joplin, are expected to be scouted for the joint venture that will build vehicles for both Subaru and Isuzu.

In Tokyo, a Fuji spokesman said executives from Fuji and Isuzu are scouting five other states, as well: Ohio, Indiana, Kentucky, Tennessee and Arkansas. The plant site will be selected before the end of the year.

A U.S. source involved in the selection said the six candidates will be narrowed to three in the next round.

State officials have said they believe Indiana and Missouri are among those that have the inside track at this point. They based their projection on the pattern that appears to be developing among the Japanese automakers building plants in the United States: Each of the five has chosen a different state in which to set up assembly.

Missouri is a right-to-work state and already a leading state in automobile manufacturing.

Another plus for Missouri is a new job development fund bill, which provides an initial \$6 million general revenue appropriation.

The joint-venture plant will be 51 percent owned by Fuji and 49

percent owned by Isuzu, with Fuji chiefly in charge of plant management.

The companies plan to construct a \$480 million plant with an annual capacity of 120,000 vehicles, with the potential to double that.

The plant will assemble Subaru four-door sedans and station wagons for Fuji, and the small four-wheel-drive Trooper II utility vehicles and the P'UP pickup for Isuzu.

Separately, there also are reports that Illinois may have been selected by another large automotive employer. Springfield, the state capital, has been mentioned, as well as a site in the metropolitan St. Louis area.

Goodyear revamps Luxembourg center

AKRON, Ohio — Goodyear Technical Center Luxembourg has been reorganized.

Jack Davisson, vice president of international tire technology, will have three Luxembourg-based directors and one Akron-based director reporting to him.

In Luxembourg, they are John Bauer, formerly manager of tire engineering, who becomes director of tire development; Bryan L. Kinamon, formerly director of manufacturing for Goodyear Technical Center Akron, who becomes director of manufacturing technology; and Joe Kneip, who earlier had been named director of automotive engineering there.

Kevin O'Neil, headquartered in Akron, is director of the international tire program.

SETTLE

FROM PAGE 1

New York; and Haskins and Groupe v. GM, filed in the Circuit Court of Cook County, Ill.

"As far as General Motors is concerned, this agreement provides a global settlement of the THM-200 issue," attorney William R. Jentes said following the hearing.

A hearing on the fairness of the settlement will be held either Sept. 22 or Oct. 30, depending on how quickly transfer of the other cases can be accomplished. Although Morgan v. GM was formally consolidated with these cases last fall, through clerical error it was sent to federal archives in New Jersey, where a search is now under way, attorneys told Judge Nordberg.

GM agreed to pay interest at 8 percent, compounded quarterly, on the escrow funds, from July 16 until the effective date of the settlement. The money will be deposited in an account at American National Bank and Trust, Chicago. Investment of the funds during the settlement process is still to be ruled on by Judge Nordberg.

Beverly C. Moore, attorney for the Washington, D.C., plaintiffs, urged the court to consider investment in Government National Mortgage Association (Ginnie Mae) mutual funds, which Moore said are now earning 5 percent more than Treasury bills. This rate when compounded could add as much as \$850,000 to the fund over one year, Moore said. Nordberg said he is not yet convinced of the safety and soundness of such funds.

Attorney Lowell E. Sachnoff, lead counsel for the Skelton class, said that, using claim-rate estimates derived from previous similar cases, individual claimants

should receive between \$375 and \$400, or approximately the amount of their actual losses, before attorneys fees. Sachnoff said his estimates are based on a 10-percent failure rate and a 25-percent total claim rate — far higher than usually experienced.

Under the agreement, GM will reimburse documented repairs at 90 cents on the dollar for the period up to and including 24,000 miles, 80 cents on the dollar between 24,000 and 36,000 miles and 60 cents on the dollar between 36,000 and 50,000 miles.

Moore suggested attaching a claim form to the first notice, to gain earlier indications of the number of claimants.

GM agreed to send notices by first-class mail to original purchasers of the vehicles at their address when the purchase was made. Notices also will be published in USA Today and TV Guide. Because the notices will be sent to previous, not necessarily current, addresses, between one-quarter and one-third will be returned, Moore contends.

"This would never have happened in a safety recall," he said.

The issue of legal fees and how they will be paid has not been settled. Nordberg said the Center for Auto Safety, in a letter to the court, has objected to legal fees being paid from the escrow fund.

In announcing his approval, Nordberg acknowledged the safety group's and Moore's concerns, but said he believes that the ongoing GM arbitration effort, arranged with the Federal Trade Commission in 1983, may mitigate the numbers of claimants. An April letter from FTC staff expressed satisfaction with the proposed settlement, he noted.

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Bumpy road is faced by VW Mexico

By Stephen Downer
STAFF CORRESPONDENT

MEXICO CITY — On the morning after the settlement of the first strike since he became president of Volkswagen de Mexico last February, Martin Josephi admitted that his workforce was still underpaid.

"We are well aware that this agreement is not enough for the workers to recover their purchasing power," he said of the seemingly huge 71-percent wage increase.

"They are still below inflation — which was 40.7 percent in the first six months of 1986 — and this is a situation that worries us," he said.



Josephi

Under Josephi, 44, VW de Mexico is investing \$100 million in plant improvements this year, mostly for its export program.

"We are expanding our water-cooled engine production," he said. "We have a capacity of 1,600 engines a day, and this will be expanded to 2,100 engines a day by June 1987. We are modernizing our finishing lines and paint shop."

The company's goal, he said, is for exports to represent 40 percent of total sales by the end of next year, as compared with this year's 30 percent. Total national and international sales this year will be the equivalent of about \$700 million.

Josephi said the company's agreement with VW's 13,000 factory workers — 2,500 of them temporary — that ended the nine-day stoppage makes special mention of the VW export campaign and the need to improve quality.

"Our export success will depend on the degree to which we improve our quality, rather than price competitiveness," he said.

Josephi said that VW is changing its philosophy on exports. "We are exporting mostly components, with less emphasis on car exports," he said.

For example, the company is exporting about 1,200 Golf and Jetta engines per day to the United States, Europe and Brazil and is exporting rear axles to the United States and Germany. Sheet-metal parts are shipped to the United States and Europe.

Exports of the Beetle have fallen this year. "Last year, we exported about 5,000 Beetles, mostly to Austria, Italy and Germany," Josephi said.



Industry Minister S. Hartarto opens Indonesia Auto Show

Indonesian industry eyes export potential

By Andrew Tanik
STAFF CORRESPONDENT

JAKARTA, Indonesia — The world's fifth most populous country — Indonesia — is on the verge of developing a fully integrated automotive industry that could become a potent force in world markets in the 1990s.

Its first major auto show was held last week in Jakarta, the capital. In opening the show, Industry Minister S. Hartarto told Automotive News:

"I think we will be able to export small commercial cars. The appreciation of the yen makes some of our vehicles cheaper than Japan's." He declined to forecast an export target and admitted that "exporting will demand a big effort."

Soebronto Laras, chairman of GAIKINDO, the Indonesian vehicle manufacturers association,

said, "We are watching South Korea and Taiwan very closely. In 10 years, Indonesia will be a major exporter of vehicles. Annual production could easily be 600,000 vehicles since we're still just tapping some of the local market."

Soebronto, who is also president-director of the local assembler of Suzuki, Mazda and Hino vehicles, returned recently from Japan, where he talked with Suzuki in the wake of a 40 percent appreciation of the yen against the Indonesian currency, the rupiah, since last November.

He said, "There is now a chance to export from Indonesia."

The most likely product is a commercial vehicle with a 1.0-liter engine which can be produced as a pickup, van or minibus. Soebronto said his plant can make it

see JAKARTA, page 53

Battle lines drawn in auto finance war

By Michelle Krebs
FINANCIAL EDITOR

Banks and credit unions have challenged the domestic auto manufacturers over their low-interest-rate financing programs, claiming that the manufacturers are monopolizing the automotive financing market.

The Consumer Bankers Association has sent letters to the attorneys general of 13 states, asking them to look into the exclusive nature of the low-interest-rate financing programs offered by the auto manufacturers.

At the same time, the Credit Union National Association is hiring economists and lawyers to examine whether the auto companies are in violation of federal antitrust or truth-in-lending laws.

The bankers say that if General Motors, for example, pays a subsidy to its finance company, General Motors Acceptance Corp., it should pay the same subsidy to credit unions, savings and loan associations and commercial banks. That way, other financial institutions could compete on an equal footing.

"The intent is not to shut subvention down," said Thomas Honey, president of the bankers' group. "The consumer ought to have more lenders that could offer these low rates."

In a letter to the California attorney general's office, the association claimed that the so-called subvention programs violate state laws.

Its letter said that GM advertises an interest rate to consumers of 7.9 percent or lower, which is well below GM's cost of funds. Then, GM pays a subsidy to GMAC to make the loan.

GM refuses to pay the subsidy to credit unions, savings and loan associations and banks, making it impossible for those other traditional sources of consumer financing to compete with GMAC, the letter said.

The many months of subvention, the letter said, block out credit unions, savings and loans and banks from participating in the automotive financing arena.

The bankers' letter to California claimed that state law prohibits an automobile manufacturer from paying a subsidy to any lender and prohibits a lender from accepting such a subsidy if the effect is to lessen competition or tend to create a monopoly.

"Not only is such monopolistic conduct illegal," the letter said, "but it is extremely imprudent for many reasons of public policies."

The association is working through the states rather than the federal government because last year the trade association investigated whether low-interest-rate financing was in violation of federal antitrust and unfair-trade-practice laws. No evidence was found.

However, when state laws were examined, 13 states were found to have laws that appeared to prohibit the practice. The states are Arkansas, California, Colorado, Florida, Hawaii, Idaho, Louisiana, Nevada, New Mexico, Ohio, Tennessee, Utah and Wisconsin.

The Credit Union National Association is concentrating its efforts on possible federal law violations by the auto manufacturers.

"We don't have the facts to say for sure yet," said CUNA spokesman Howard Cosgrove, "but we

see FINANCE, page 58

How GM prepared for reorganization

By Noel M. Tichy
and Mary Anne Devanna
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On Jan. 10, 1984, General Motors Chairman Roger B. Smith and President F. James McDonald announced the corporation's most massive reorganization since the days of Alfred P. Sloan.

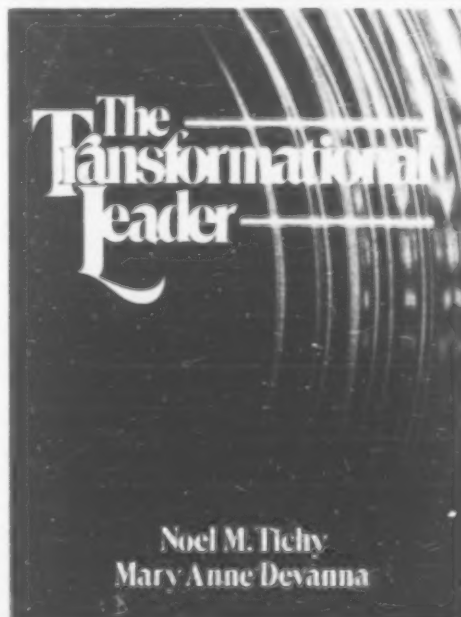
The goal was to make GM more responsive to consumer and competitive pressures.

It resulted in the creation of two new car groups — the Chevrolet-Pontiac-GM of Canada group and the Buick-Oldsmobile-Cadillac group — and dissolved the Fisher Body, GM Assembly and Guide divisions.

The transformation of GM — before and after the Smith-McDonald announcement — provides an important lesson in organizational change, especially regarding the people affected by such change.

A full year before the GM reorganization, then Vice President and Group Executive Alexander Cunningham was told to plan how the process would

see BOOK, page 22



GM strives for variety in styling

By Dave Zoia
DETROIT REPORTER

General Motors may not agree that all its cars look alike, but the automaker is taking that popular complaint quite seriously just the same.

That criticism was dramatized in a biting Lincoln-Mercury commercial in which a valet parking attendant and several "GM owners" were confused about which car belonged to which driver.

GM is painfully aware of the contention that its cars suffer from a cookie-cutter approach to design, and says it is committed to changing that perception in the minds of the car-buying public.

see DESIGN, page 54



Rouge Steel workers from UAW Local 600 picketed UAW's Solidarity House last week

AUTOMOTIVE NEWS/JOE WILSHIRE

Ford Rouge Steel workers to take strike vote today

By Mary Connolly
DETROIT REPORTER

An estimated 4,000 workers at Ford Motor Co.'s Rouge Steel plant will vote today (July 21) on whether to authorize a strike against the automaker.

A contract covering the employees, who are members of UAW Local 600, expires July 31.

If a strike occurs, it is possible that an additional 9,000 UAW Local 600 members at the Rouge manufacturing complex could also walk off the job because they are not covered by a signed agreement. Ford confirmed that a contract was negotiated in 1984 but was never signed.

Forty percent of the Rouge plant's steel production is used by Ford although sources indicate the company has stockpiled a steel supply.

Negotiators for Ford and UAW Local 600, which represents workers at Rouge Steel, met Thursday and discussed non-economic issues.

At presstime, no date had been set for another main-table meeting, although bargaining was continuing on the local level.

UAW Local 600 President Bob King said the union's chief concern is the future of the steel plant, which Ford has said it would consider selling. Earlier this year, union sources said Rouge Steel Co. lost \$90 million in 1985, although Ford had projected the operation would make about \$5 million.

"We told the company very strongly they have to make a decision on what they are going to do with Rouge Steel," King said. He said UAW members will

no longer tolerate being left "hanging" regarding the plant's future.

King said that if Ford decides to retain the plant, the union is willing to work toward an agreement making Rouge Steel the "best operation possible."

"The union has been ready and willing for over a month to get into the meat of the negotiations. The company has been dragging its feet, and we're not real happy with that," King said.

King said no progress was made during the main-table bargaining session Thursday and that Ford had not yet responded to the union's economic demands. A Ford spokesman confirmed that the company had not yet made an economic offer.

The union did not set a strike deadline in the event of a strike authorization vote. A strike would require approval by the UAW's international executive board.

Asked if union workers at the Rouge complex who are not part of Rouge Steel would walk out in the event of a strike, King said, "We're close in this local. Everybody in the local helps one another."

The Rouge complex includes Ford stamping, frame, glass, engine and assembly plants.

According to a newsletter distributed by Local 600 to its members, a strike at the entire Rouge complex would halt production of Mustang and Capri, frames for Ford's largest models, windshields for the new Taurus and Sable models and engines.

The plant produces 1.9-liter, 4-cylinder engines for the Escort/Lynx and an electronic fuel injection version of the 1.9-liter engine. In addition, the plant supplies 96 percent of the fuel tanks for Ford autos.

Study finds Japan ready to take over U.S. supplier field

By Scott Miner
DETROIT REPORTER

A new automotive study concludes that the Japanese will soon complete the third phase of a long-planned attempt to take over the U.S. automotive supplier business unless trade talks with Japan result in restrictions.

The study was quoted by the Automotive Parts and Accessories Association. It details how domestic auto manufacturers are increasingly using foreign-supplied parts, mostly from Japanese companies, in new cars.

The study was conducted for the U.S. embassy in Japan by Heuristic Associates, Tokyo.

APAA officials commented on the Heuristic study during a briefing at the Detroit Press Club. APAA officials at the briefing were Julian C. Morris, president; Lee Kadrich, managing director for government and trade; and Judy Broseker, managing director for market research.

Top-level trade talks between Japan and the United States will take place in August in Tokyo and will include the export of auto parts to the United States.

The study said that 300 Japanese parts makers are poised and ready to build plants in the United States by 1988 barring any U.S. restrictions.

That "import invasion" is the third step in a plan to totally conquer the American parts business, the study said.

The first wave was the era of captive imports, when U.S. car firms bought substantial shares of Asian car companies, such as General Motors' investment in Suzuki and Isuzu, Chrysler's investment in Mitsubishi and Ford's in Mazda.

U.S. carmakers have also moved into South Korea, Mexico, Taiwan and elsewhere with similar investments. That took place when U.S. automakers decided they couldn't produce small cars profitably in this country, the study said.

Phase Two took place when the Japanese moved some assembly operations to the United States. Kadrich said that was done to "skirt politically sticky issues such as quotas and the perennial domestic-content debate."

He added that "those roots re-

main shallow and have not tapped deep into (U.S.) supply lines."

Kadrich said the GM-Toyota joint venture is an example of Japan controlling what supplier companies will be used.

In the third phase of the Japanese parts takeover, more than 300 Japanese supplier companies would build plants in the United States, according to the study.

"When they arrive, all remaining distinctions will blur and the domestic content used in transplant and hybrid production will soar," Kadrich said.

He said that all subcomponent assembly work would be done overseas; only final assembly of the parts would be done in the United States plants. He said all materials would be brought from overseas.

If that last phase is completed, the APAA estimates that employment at present U.S. supplier companies would drop 25 percent.

The study estimated that by 1989, domestic content of cars built in the United States will be 42 percent while Japanese content will be 50 percent. Eight percent would come from other foreign firms.

Cars made in the United States in plants owned by a foreign company will have 70 percent foreign content by 1989, the study said. Captive imports — cars assembled offshore and imported for sale under a U.S. nameplate — will have an estimated 95 percent foreign content by 1989.

The United States represents a major growth area for Japan. "Japan is moving to fill a major market vacuum left by American car makers" who have shed unprofitable small-car models, Kadrich said.

"The U.S. move has paved the way for peaceful coexistence and profitable partnership between automaking industries," he said. "This has played into the hands of Japanese carmakers and their supplier families, long bent on controlling the equipment markets for all cars sold in America."

Morris said that Japanese companies producing in the United States would help curb the parts trade deficit, "but at the cost of further deterioration of our balance of payments account to Japan."

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Raymond Loewy; gave Studebaker sleek look

MONTE CARLO, Monaco — Raymond Loewy, designer of the sleek Studebaker Hawk and Avanti, the 1947 Studebaker Champion and Commander, the International Harvester logo and a host of other items associated with modern life, died July 14 at the age of 92.

Throughout his design career, which began in 1918 after his graduation from the Ecole de Lan-neau in France, he emphasized clean, smooth lines based on sleekness and simplicity.

In 1979, Life magazine named him "One of 100 Who Shaped America." Ten years earlier, the

OBITUARIES

London Times called him "One of 1,000 Makers of the Twentieth Century."

Mr. Loewy, among the few who could see beauty in a locomotive, was the author of "The Locomotive — Its Aesthetics." He designed the streamlined steam engines that were the trademark of the Pennsylvania Railroad in the 1930s.

He also designed cigarette packages and vacuum cleaners as well as cans, bottles, packages and cartons used for food and beverages.

Born and raised in Paris, he served as a liaison officer with the Allied forces in France in World War I. After the war, he moved to the United States and took up fashion illustration. He became a naturalized citizen in 1938.



Loewy

He formed Raymond Loewy Associates in 1945, and the design firm quickly expanded to offices in New York, Chicago, Los Angeles, London, Paris, Fribourg, Switzerland; and San Paulo, Brazil.

Mr. Loewy became a consultant to the National Aeronautics and Space Administration in 1967 on Skylab, the recoverable earth shuttle orbiter, and Saturn-Apollo applications. In 1974, he became a design consultant to the Committee for Science and Technology of the Soviet Union.

In 1975, the Smithsonian Institution staged a special Raymond Loewy exposition.

He was a director of the Art Center College of Design in Los Angeles.

Mr. Loewy was a decorated grand officer of the French Legion

of Honor, with four citations for the Croix de Guerre. He won many other honors and prizes in the design world and lectured at Massachusetts Institute of Technology, Harvard, New York University, Columbia, Pratt Institute and The Royal Society of Arts in London.

Mr. Loewy and his wife had lived in Monaco for the past six years.

Walter J. Simons

DETROIT — Walter J. Simons, 73, retired Chrysler Corp. vice president of corporate finances, died July 14. Mr. Simons joined Chrysler in 1943. He became director of pensions and group insurance in 1950, assistant treasurer in 1952, treasurer in 1955, vice president-treasurer in 1969 and vice president of corporate finances in 1975. He retired in 1976.

SERVICE MANAGEMENT



Flax, left, and Snyder trouble-shoot a Plymouth Reliant



Winning team of Frank Rodgers, left, and Robert D. Ruppert, with John C. Ruppert, their shop instructor

Trouble Shoot starts youths on auto careers

By Arthur Flax
SERVICE EDITOR

WASHINGTON — There was a time when the stuff under the hood of an automobile resembled a steamship anchor and was, for the mechanically inclined, as easy to fix.

The stuff under the hood of today's automobile resembles more the innards of an IBM PC. But for the electronically inclined, it can also be easy to fix.

At the 1986 Plymouth/American Automobile Association Trouble Shooting Contest, the top high school mechanics from 50 states had a chance to show their skill in diagnosing pre-planted electronic and mechanical bugs in identical 1986 Plymouth Reliants equipped with 2.5 liter, fuel injected engines.

The participants — two-member teams from each state — were high school seniors who had won events in their home states.

The young technicians, raised in an era of personal computers and video games, had little trouble with the new electronically controlled automobiles.

Members of the news media also were invited to show their skills. The changing of the guard — from mechanical to electronic technicians — was apparent.

As Automotive News service editor, it was my task to uphold the honor of the publication. Charles Snyder, Kiplinger Letters associate editor, and I bested our competition from Motor Age and Super Service Station magazines.

But with skills learned under a shade tree on older cars, it took us more than an hour to get our car running, and we were the only news media team to accomplish that feat without professional help.

By comparison, the winning student team of Frank Rodgers and Robert D. Ruppert, from Morro Bay High School in California, debugged their car in just over 20 minutes.

Ruppert's father, John C., instructed the winners in auto shop. He said he goes back to school every year and has to "read con-

stantly to stay ahead of the kids who have a lot of questions."

If the truth be told, our success in the news media competition was due in no small part to my pre-contest briefing by Tom Beam, technical editor of Motor Age. Beam, who was stymied during the competition by an unexpected electrical flaw, is an expert in the modern systems and delivered a thorough briefing on the network of sensors and servos common to the 1986 Reliant.

That I was able to pick up on much of the briefing I attribute to a familiarity with basic electronics and computers as much as with automobiles.

According to Gino J. Giocondi, vice president of service and parts operations for Chrysler Motors, one of the goals of the Trouble Shoot is to demonstrate the new skills needed by the modern technician and to encourage young people to enter the field.

"Some 850,000 people claim they can fix cars, and if I said half of them are technicians, I probably would be exaggerating," Giocondi said.

"Many are older; they are never going to change. They can't get comfortable with computers, with electronics. We have a real job in front of us, because there are 130 million cars in the marketplace and too few technicians to take care of them."

He added, "What we have to do is mount a concerted effort to upgrade the image of the auto technician so we can attract younger people into the profession; I don't want to call it a trade. The Trouble Shoot is part of that."

It would seem that in order to work on a 1986 automobile, the technician must be able to combine the traditional intuitive feel for mechanics with a similar savvy in electronics.

For example, the drill to troubleshoot our Reliant required that we first diagnose the lack of spark from the electronic ignition system.

Included in the Trouble Shooting tool kit, in addition to a hand-held diagnostic computer and other electronic tools, was a paper clip.

It was provided to perform a simple trouble-shooting procedure that allowed us to determine if the coil, distributor or ignition computer was bugged. The coil, we found, was bad.

After replacing the coil and adjusting the timing by dead reckoning, our car ran — but poorly. By pulling spark lead one at a time while the engine was running, we were able to identify a bad spark plug and clear out a miss. That is an old trick, one I had learned more than 10 years ago in high school auto shop.

The engine then ran smoothly at idle and low speeds, but we had to use a hand-held computer to determine the cause of a "Power Loss" dashboard warning light.

Provided in the tool kit was the OTC Monitor 2000 diagnostic computer from Sealed Power Corp. Easily plugged into the electronic system of many cars (interchangeable software cartridges make that possible), the small computer is as easy to work as most video games.

When the technician punches in simple codes, the computer cycles the many servos and sensors in a late-model auto.

In the Trouble Shoot, we used the computer to identify a faulty throttle position sensor as the cause of the message sent by the warning light. Unfortunately, the computer will not pinpoint the location of the sensor and, pressed for time, we were not able to find it.

Under certain driving conditions, the judges said, a faulty sensor could cause the car to hesitate.

Finally, contestants were required to precisely adjust the timing. That continues to be a simple procedure accomplished with a timing light. However, contestants had to know that the coolant sensor must be disconnected before adjusting the timing. Fortunately, I had read of that procedure.

In fact, the Trouble Shooting contest puts great emphasis on the contestant's reading skills. Results of a written test are combined with the contestant's trouble-shooting score.

So much importance is placed on the written test that a separate award is presented to the student with the highest score. This year, Lyle Rasmussen, of Sahuarita High School near Tucson, won the Lee A. Iacocca Scholastic Achievement Trophy and a full scholarship to MoTech, Chrysler Corp.'s automotive technician training center.

Rasmussen's partner for the contest was Terri Hawk, the first female student to qualify for the nationals in 24 years.

Though there are many new tricks of the trade, a fast mechanic still must be an organized mechanic.

see SHOOT, page 17



Trouble Shoot participants compete in the shadow of the nation's Capitol

Shop volume rises for May, 5 months

By Arthur Flax
SERVICE EDITOR

Service and parts business at new-car dealerships increased in May and in the first five months of 1986.

According to the Automotive News Service Index, shop business at dealerships in May amounted to 102.4 percent of the volume recorded in May 1985.

In the first five months of 1986, service and parts volume showed a gain of 3.4 percent over 1985.

In May, total labor sales (customer paid and warranty) made the biggest gain, up 5.6 percent over last year.

Gross profit on all labor, parts and accessories sales was up 2.8 percent; sales of all parts and accessories climbed 2.2 percent; and shop parts

sales (customer paid and warranty) were up 1.5 percent.

Repair orders written were down 0.2 percent in May 1986.

In addition, parts and accessories sales to off-premises customers were up 0.2 percent in May.

Total labor sales registered the biggest gain for the first five months of 1986, climbing 8.3 percent over the period in the previous year. Other indicators showing gains through May were gross profit on all labor, parts and accessories sales, up 6.7 percent; shop parts sales, up 3.6 percent; and sales of all parts and accessories, up 0.2 percent.

Repair orders written registered a 1.8 percent decline.

Parts and accessories sales to off-premises customers were down 3.0 percent for the first five months of 1986.

SERVICE INDEX

102.4*

	May '86	% chg. '85	May '86	% chg. '85
Gross Profit on All Labor and P&A Sales	+2.8%	+0.7%		
Repair Orders Written	-0.2%	-1.8%		
Total Labor Sales (Customer & Warranty)	+5.6%	+8.3%		
Shop Parts Sales (Customer & Warranty)	+1.5%	+3.6%		
Sales of All P&A	+2.2%	+0.2%		

*Index by Automotive News Service Index. The index is based on the volume of service and parts business in May 1985, set at 100.0 percent. The index for May 1986 is 102.4 percent. The index for the first five months of 1986 is 102.4 percent. The index for the first five months of 1985 is 100.0 percent.

TRUCK INDUSTRY

**Custom Cab blue-light special**

More than 74,000 shoppers entered the Kraco/K mart/Custom Cab sweepstakes which awarded six special Custom Cabs, built off Toyota pickups, by Custom Fab. Above, auto racer Michael Andretti presents winner Jeff Billis, of Cherry Hill, N.J., his prize. Present, from left, are Custom Fab President Bill Rohrbacher; Marian Arbuthnot, manager of the Marlton, N.J., K mart store; and Tom Barrison, sales manager for Cherry Hill (N.J.) Toyota Inc.

JUNE TRUCK REGISTRATIONS

		0000 & LESS GVW GRP 1	6,001- 10,000 GVW GRP 2	10,001- 14,000 GVW GRP 3	14,001- 16,000 GVW GRP 4	16,001- 19,500 GVW GRP 5	19,501- 26,000 GVW GRP 6	26,001- 33,000 GVW GRP 7	33,001- & OVER GVW GRP 8	TOTAL 1986	TOTAL 1985
DODGE	MO YR	25,775 120,829	14,603 56,788							40,378 177,617	43,615 217,614
*DAKOTA, RAIDER, CARAVAN, RAM VAN/CHARGER/50/WGN	MO YR	22,531 102,445	10,555 36,480							33,086 138,925	30,784 147,068
PLYMOUTH VOYAGER	MO YR	9,827 47,273								9,827 47,273	9,900 43,412
TOTAL CHRYSLER CORP.	MO YR	35,602 168,102	14,603 56,788							50,205 224,890	53,515 261,026
FORD	MO YR	70,289 316,705	41,536 190,438				788 4,188	3,884 13,890	1,030 4,711	117,527 529,932	100,752 508,620
*VAN, BRONCO, RANGER & AEROSTAR	MO YR	54,259 238,992	13,539 61,451							67,798 300,443	49,171 262,444
FREIGHTLINER	MO YR							1,588 6,926		1,588 6,926	1,466 7,586
MERCEDES-BENZ	MO YR						145 872	181 533		326 1,405	331 1,856
TOTAL DAIMLER-BENZ CORP.	MO YR						145 872	181 533	1,588 6,926	1,914 8,331	1,797 9,444
CHEVROLET	MO YR	64,414 294,637	41,478 194,123	2,737 10,596	17 147	22 132	490 2,736	921 4,602	46 217	110,125 507,190	102,744 481,048
*VAN, EL CAMINO, S10 BLAZER & ASTRO	MO YR	50,816 229,804	15,568 69,218							66,384 299,022	60,873 276,844
GMC	MO YR	13,837 66,748	10,823 52,675	251 1,107	19 105	409 1,159	382 2,192	1,152 10,171	665 3,217	27,538 137,374	28,735 133,406
*VAN, JIMMY, S15, CABALLERO & SAFARI	MO YR	10,473 50,115	3,449 16,446							13,922 66,561	14,567 63,403
TOTAL GM CORP.	MO YR	78,251 361,385	52,301 246,798	2,988 11,703	36 252	431 1,291	872 4,928	2,073 14,773	711 3,434	137,663 644,564	131,479 614,454
INTERNATIONAL	MO YR						1,120 6,834	1,924 8,300	2,166 10,355	5,210 25,489	5,837 28,731
JEEP TRUCK	MO YR	12,406 66,212	1,196 6,958							13,602 73,170	13,743 64,126
*WRANGLER/CJ's, CHEROKEE, WAGONEER & SCRAMBLER	MO YR	10,534 54,125	1,074 5,326							11,608 60,451	13,564 63,249
MACK	MO YR						242 898	255 921	1,486 7,029	1,983 8,848	2,531 12,849
KENWORTH	MO YR								870 4,363	870 4,363	910 4,787
PETERBILT	MO YR								809 3,930	809 3,930	1,154 5,197
TOTAL PACCAR CORP.	MO YR								1,679 8,293	1,679 8,293	2,064 9,984
AUTOCAR	MO YR								199 750	199 750	173 656
VOLVO	MO YR							71 461	83 404	154 865	192 945
WHITE	MO YR								482 2,937	482 2,937	592 3,638
TOTAL VOLVO WHITE CORP.	MO YR							71 461	764 4,091	835 4,552	957 5,239
WESTERN STAR	MO YR								74 463	74 463	97 484
MISCELLANEOUS DOMESTIC	MO YR		298 1,311					7 37	130 866	435 2,214	546 2,291
OTHER IMPORTS	MO YR	74,691 359,342	756 4,675	521 2,486	49 295	29 148	12 74	51 262	3 17	76,112 367,299	65,073 341,063
GRAND TOTAL	MO YR	271,239 1,271,746	110,690 506,968	3,509 14,189	85 547	460 1,439	3,179 17,794	8,446 39,177	9,631 46,185	407,239 1,898,045	378,391 1,858,311
1985 YR. TO DATE		1,202,149	526,229	14,707	385	2,740	21,781	32,442	57,878		

INCLUDES MULTIPURPOSE VEHICLES. Compiled from official State Records by R. L. Polk & Co. Manufacturers' sales records are used in compiling Oklahoma for 1985 and 1986.

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